



Michael C. Schlachter, CFA
Managing Director

January 25, 2006

Ms. Anne Stausboll
Interim Chief Investment Officer
California Public Employees' Retirement System
400 P Street, Suite 3492
Sacramento, CA 95814

Re: Internally Managed Fundamental Portfolio

Dear Anne,

You had requested Wilshire's opinion regarding the new policy language developed by Staff that will deal with both the current internal enhanced index portfolio (managed by Chris Doffing) and the new "fundamental" portfolio approved by the Investment Committee in December.

We have had several conversations with Staff about the new policy language, and Staff has worked hard to incorporate our comments into the new policy. As a result, we are comfortable recommending approval of the new policy version to the Policy Subcommittee.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Schlachter', with a long horizontal flourish extending to the right.

Michael C. Schlachter, CFA